HORNED CATTLE FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2006

106-07079/

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Horned Cattle Fund as at March 31, 2006 and the statements of revenues, expenses and net financial assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 6, 2006

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

HORNED CATTLE FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2006	2005
Financial Assets:		
Due from General Revenue Fund (Note 3)	$ 142,725	$ 127,453
Accounts receivable	44,994	38,000
Accrued interest receivable	1,480	903
	$ 189,199	$ 166,356
Liabilities:		
Accounts payable	$ 29,442	$ 2,005
Net financial assets (Statement 2)	$ 159,757	$ 164,351

(See accompanying notes to the financial statements)

HORNED CATTLE FUND
STATEMENT OF REVENUES, EXPENSES AND NET FINANCIAL ASSETS
Year Ended March 31

	Budget 2006 (Note 7)	Actual 2006	Actual 2005
Revenues			
Deductions	$ 100,000	$ 94,545	$ 84,913
Less: commissions	1,500	1,611	1,453
Net deductions	98,500	92,934	83,460
Cattle sales (Note 6)	180,000	151,452	156,782
Interest revenue (Note 3)	3,000	5,330	3,489
Total revenue	281,500	249,716	243,731
Expenses			
Grants	83,500	85,000	81,634
Cattle research (Note 6)	180,000	151,452	156,782
Administration (Note 9)	15,100	15,000	15,000
Advisory committee honoraria and travel	2,500	2,426	2,826
Other	---	432	425
Total expenses	281,100	254,310	256,667
Surplus (deficit) for the year	$ 400	(4,594)	(12,936)
Net financial assets, beginning of year		164,351	177,287
Net financial assets, end of year (Statement 1)		$ 159,757	$ 164,351

(See accompanying notes to the financial statements)

HORNED CATTLE FUND
STATEMENT OF CASH FLOWS
Year Ended March 31

	2006	2005
Cash flows from (used in) operating activities:		
Receipts from deductions	$ 90,508	$ 87,476
Receipts from cattle sales	146,885	153,182
Interest and other receipts	4,753	8,084
Payments to suppliers and Advisory committee	(164,874)	(171,323)
Grant payments	(62,000)	(80,134)
Cash flows from (used in) operating activities	15,272	(2,715)
Net increase (decrease) in cash and cash equivalents	15,272	(2,715)
Due from General Revenue Fund, beginning of year	127,453	130,168
Due from General Revenue Fund, end of year	$ 142,725	$ 127,453

(See accompanying notes to the financial statements)

HORNED CATTLE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2006

1. Legislative Authority

The Horned Cattle Fund (Fund) continues under *The Horned Cattle Purchases Act* (Act). The purpose of the Fund is to promote research and development in the livestock industry. The Fund is administered by an Advisory Committee established under the Act. The Committee authorizes all grant payments from the Fund subject to the approval of the Minister of Agriculture and Food.

Dealers purchase cattle with horns from producers at market prices. Section 3 of *The Horned Cattle Purchases Act* requires the dealers to pay the producers' market price less $2.00 for each head of cattle sold with horns. Subsection 5(1) of *The Horned Cattle Purchases Regulations, 1983* requires dealers to remit the $2.00 deducted for each head of cattle less a $0.03 per head dealer commission to the Fund.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The following accounting policies are considered significant.

a) Revenue

Deductions revenue and related commissions are recognized when the cattle are sold.

b) Grants

Grants are recorded when approved and when the eligibility criteria, if any, have been met by the recipient.

c) Grant refunds

Occasionally, grant recipients voluntarily return unused grant funds. Grant refunds are recorded as revenue when they are received.

d) Cattle Sales/Purchases

Cattle are sold on a regular basis from the Fund's cattle herd at the Western Beef Development Centre, a division of the Prairie Agricultural Machinery Institute (PAMI). The revenue is recognized as the cattle are sold.

Cattle purchases are made for the purpose of research and development to improve the livestock industry. Cattle purchases are recorded as expenses when cattle are delivered.

3. Due from General Revenue Fund

The Fund's money is held in the General Revenue Fund. Interest is calculated on the Fund's daily balance using the Government's thirty-day borrowing rate and is credited to the Fund on a quarterly basis. The Government's average thirty-day borrowing rate for 2006 is 2.82% (2005 - 2.19%).

4. Commitments

At year-end, the Fund's Advisory Committee approved grants totalling $54,265 (2005 - $37,500) for 2007 projects. Included in this amount is $37,500 committed to the University of Saskatchewan.

5. Swift Current Project

The Swift Current Project was established under a 1998 agreement with Agriculture Canada which expired on October 31, 2003. A new agreement was made on November 1, 2003 which expires on October 31, 2008. Under the agreement, Agriculture Canada carries out beef forage research on cattle provided by the Fund at the beginning of the project to the Swift Current Research Station (Station). The Station uses proceeds from the sale of cattle to pay for feed and care of the cattle that it uses in its research. Upon termination of the agreement, the Station will pay $30,000 to the Fund and the remaining assets will revert to Agriculture Canada. Included in the Fund's accounts receivable is $30,000 receivable from the Station.

All activities related to the cattle are those of the Station and are not shown in these financial statements.

6. Prairie Agricultural Machinery Institute

The Minister of Agriculture and Food entered into an agreement with the Western Beef Development Centre (WBDC) on November 1, 2001. The agreement provided for the Fund to loan cattle to WBDC for research purposes. During the year, WBDC became a division of the Prairie Agricultural Machinery Institute (PAMI). The Minister of Agriculture and Food then entered into a new, one-year agreement with PAMI for the continued loan of the Fund's cattle. This agreement expires on November 14, 2006. At the conclusion of the agreement, all funds remaining in a specified account and a minimum of 300 head of cattle are to be returned to the Fund.

The estimated realizable value of the cattle herd at PAMI at year-end is $236,442 (2005 - $195,518).

During the year, the Fund provided money from its cattle sales to PAMI to pay for the research costs totalling $151,452 (2005-$156,782).

On January 19, 2006 the Advisory Committee has agreed in principle to establish a new contract with PAMI that will wind down the agreement by the end of 3 years.

7. Budget

The Advisory Committee approved the 2006 budget on January 20, 2005.

8. Financial Instruments

Accounts receivable, accrued interest receivable and accounts payable are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the fair value of these instruments approximates the carrying value.

The Fund is exposed to credit risk from the potential non-payment of accounts receivable. However, some of the receivables were collected shortly after year-end, reducing its credit risk.

9. Related Party Transactions

These financial statements include transactions with related parties. The Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan.

Livestock Services Revolving Fund provided administrative services to the Fund for an annual fee of $15,000 (2005 - $15,000).

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

10. Legislative Change

On June 20, 2002, *The Horned Cattle Purchases Amendment Act, 2002* (Act) was assented to by the Lieutenant Governor of Saskatchewan. This Act contains amendments to the current legislation. Under these amendments, the deductible amount will increase from $2 per head to $10 per head for cattle sold with horns. The increase will be effective when the Act is proclaimed. The Act has not yet been proclaimed.

HORNED CATTLE FUND
DETAILED LIST OF EXPENSES (UNAUDITED)
For the Year Ended March 31

	2006	2005
Personal Services:		
Board member costs	$ 860	$ 1,048
Travel:		
Other	1,566	1,778
Grants:		
University of Saskatchewan:		
Project Funding	27,000	27,382
Veterinary Infectious Disease Organization	22,500	22,500
Saskatchewan 4-H Council	7,500	---
Farm Animal Council of Saskatchewan	7,500	7,500
Saskatchewan Society for Prevention of Cruelty to Animals	10,000	11,500
Saskatchewan Agriculture Hall of Fame	500	---
Western Beef Development Centre	---	7,752
Canadian Western Agribition	10,000	5,000
	85,000	81,634
Supplier Payments:		
Prairie Agricultural Machinery Institute	151,452	156,782
Payees under $50,000	15,432	15,425
	166,884	172,207
	$ 254,310	$ 256,667